

TENNESSEE REGULATORY AUTHORITY



Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

October 15, 2003

Mr. Mike Whitten
Memphis, Light, Gas and Water Division
P.O. Box 430
Memphis, Tennessee 38101-0430

Mr. Jeffrey A. Rice, Controller
Memphis Networkx, LLC
7555 Appling Center Drive
Memphis, Tennessee 38133-5069

RE: Docket No. 03-00071

Dear Gentlemen:

On June 12, 2001, Memphis Networkx, LLC ("Memphis Networkx") was granted a Certificate of Convenience and Necessity to provide intrastate and intraLATA local exchange telecommunications services in Tennessee. Additionally, the Authority ordered Memphis, Light, Gas and Water Division ("MLGW") and Memphis Networkx, LLC to submit to an audit in order to determine whether Memphis, Light, Gas and Water Division and Memphis Networkx are in compliance with the Tennessee Code Annotated § 7-52-701 thru § 7-52-407 and the Authority's Order in Docket No. 99-00909.

The Order in Docket No. 99-00909 stated that the audit will be conducted by an independent auditor to be chosen by Memphis Networkx, LLC; however, the auditor is required to work under the direction and supervision of the Tennessee Regulatory Authority ("TRA"). The audits were ordered to commence one year from the date of the Order and continue on an annual basis. This Order was modified at a regularly scheduled Authority Conference held on January 8, 2002 to grant the annual audit period such that the initial audit period shall proceed from August 9, 2001 through December 31, 2002. The modification also stated that annual audits shall coincide with Petitioners' fiscal years.

Memphis Networkx, LLC filed the selected independent auditor as Ernst & Young, LLP on March 17, 2003 which was followed by Memphis, Light, Gas and Water's annual report information filed on March 23, 2003. In the absence of an audit plan or proposed schedule for completion from the Parties, the Authority Staff submitted an audit plan to

Mr. John Skelton on August 14, 2003. In conversations with Staff on September 26, 2003, Mr. John Skelton and Mr. Mike Whitten indicated that they would like to submit an alternative plan that might also incorporate reliance on the MLGW internal audit Staff. The TRA Staff concurred; however, a proposed alternate plan has not been presented to the Staff. Accordingly, we request that an audit plan be submitted no later than October 17, 2003 which Staff will respond to regarding acceptance. In the alternative, we must commence with the audit plan submitted by the Staff immediately. The entire audit plan should be finalized by October 24, 2003 and the audit should be completed no later than November 30, 2003.

If you have any questions please call David Foster at 615-741-2904 ext. 188 or Patsy Fulton at 615-741-2904 ext. 193.

Sincerely,

A handwritten signature in black ink that reads "Joe Werner". The signature is written in a cursive, flowing style.

Joe Werner, Telecommunications Chief

Cc: Mr. John Skelton, Partner
Ernst & Young, LLP